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Report No: { PP2354 }

PROJECT PAPER

ON A

PROPOSED GRANT

IN THE AMOUNT OF 3.2 MILLION EUROS (US\$3.65 MILLION EQUIVALENT)

TO THE

EAST AFRICAN COMMUNITY

FOR A

ENGAGING PRIVATE SECTOR FOR GREEN GROWTH IN THE LAKE VICTORIA
BASIN PROJECT

September 26, 2017

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CURRENCY EQUIVALENTS

(Exchange Rate Effective {Date})

FISCAL YEAR

January 1 – December 31

ABBREVIATIONS AND ACRONYMS

| | |
|-------|--|
| DA | Designated account |
| EAC | East African Community |
| ESMF | Environmental and Social Management Framework |
| FI | Financial institution |
| FM | Financial management |
| GESIP | Green Economy Strategy and Implementation Plan |
| GHG | Greenhouse gas |
| GRS | Grievance Redress Service |
| INDC | Intended Nationally Determined Contributions |
| IPMP | Integrated Pest Management Plan |
| KAM | Kenya Association of Manufacturers |
| KNPC | The Kenya National Cleaner Production Centre |
| LVBC | The Lake Victoria Basin Commission |
| LVEMP | The Lake Victoria Environment Management Program |
| NCPC | National Cleaner Production Centre |
| NDF | Nordic Development Fund |
| PA | Project account |
| PPSD | Project Procurement Strategy for Development |
| RECP | Resource Efficient and Cleaner Production |
| RPC | Regional Project Coordinator |
| RPCT | Regional Project Coordination Team |
| SME | Small and medium enterprise |
| SOE | Statement of expenditure |
| STEP | Systematic Tracking of Exchanges in Procurement |

| | |
|----------------------------------|---------------------------|
| Regional Vice President: | Makhtar Diop |
| Country Director: | Ahmadou Moustapha Ndiaye |
| Global Practice Senior Director: | Karin Kemper |
| Practice Manager: | Magda Lovei |
| Task Team Leader: | Jian Xie, Suiko Yoshijima |

COUNTRY
Engaging Private Sector for Green Growth in the Lake Victoria Basin Project

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APPRAISAL DATA SHEET

Africa

Engaging Private Sector for Green Growth in the Lake Victoria Basin Project (P161265)

PROJECT PAPER

AFRICA

0000006546

Report No.: PP2354

| Basic Information | | | |
|--|--|---|------------------------------|
| Project ID P161265 | EA Category B - Partial Assessment | Team Leader(s) Jian Xie, Stephen Ling, Suiko Yoshijima | |
| Financing Instrument Investment Project Financing | Fragile and/or Capacity Constraints [] | | |
| | Financial Intermediaries [] | | |
| | Series of Projects [] | | |
| Project Implementation Start Date 01-Oct-2017 | Project Implementation End Date 31-Dec-2019 | | |
| Expected Effectiveness Date 01-Oct-2017 | Expected Closing Date 30-Apr-2020 | | |
| Joint IFC No | | | |
| Practice Manager/Manager | Senior Global Practice Director | Country Director | Regional Vice President |
| Magda Lovei | Karin Erika Kemper | Ahmadou Moustapha Ndiaye | Makhtar Diop |
| Approval Authority | | | |
| Approval Authority CD Decision | | | |
| Borrower: East African Community | | | |
| Responsible Agency: Lake Victoria Basin Commission | | | |
| Contact: | Raymond J. Mngodo | Title: | Regional Project Coordinator |
| Telephone No.: | 254-57-2026894 | Email: | mngodo@lvbc.org |

| Project Financing Data(in USD Million) | | | | | | | | | | |
|---|------|------|------|------|------|----------------------------|-----------|------|----------|------|
| Total Project Cost: | | 3.65 | | | | Total Bank Financing: | | 0.00 | | |
| Financing Gap: | | 0.00 | | | | | | | | |
| Financing Source | | | | | | Amount | | | | |
| Borrower | | | | | | 0.00 | | | | |
| Africa Climate Change Program | | | | | | 3.65 | | | | |
| Total | | | | | | 3.65 | | | | |
| Expected Disbursements (in USD Million) | | | | | | | | | | |
| Fiscal Year | 2018 | 2019 | 2020 | 0000 | 0000 | 0000 | 0000 | 0000 | 0000 | 0000 |
| Annual | 1.00 | 2.65 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Cumulative | 1.00 | 3.65 | 3.65 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Institutional Data | | | | | | | | | | |
| Contributing Practice Areas | | | | | | | | | | |
| | | | | | | | | | | |
| Proposed Development Objective(s) | | | | | | | | | | |
| To increase use of and investment in resource-efficient and cleaner production technologies by private enterprises in the Lake Victoria Basin | | | | | | | | | | |
| Components | | | | | | | | | | |
| Component Name | | | | | | Cost (USD Millions) | | | | |
| Scaling-up the RECP Activities | | | | | | 2.13 | | | | |
| Facilitating the Environment to Promote Private Sector Engagement | | | | | | 0.75 | | | | |
| Piloting Green Growth instrument | | | | | | 0.40 | | | | |
| Coordination and contingency | | | | | | 0.37 | | | | |
| Compliance | | | | | | | | | | |
| Policy | | | | | | | | | | |
| Does the project depart from the CAS in content or in other significant respects? | | | | | | | Yes [] | | No [X] | |
| Does the project require any waivers of Bank policies? | | | | | | | Yes [] | | No [X] | |
| Have these been approved by Bank management? | | | | | | | Yes [] | | No [] | |
| Does the project meet the Regional criteria for readiness for implementation? | | | | | | | Yes [X] | | No [] | |

| Safeguard Policies Triggered by the Project | | Yes | No | |
|--|--|---------------------------------------|------------------------------------|-------------|
| Environmental Assessment OP/BP 4.01 | | X | | |
| Natural Habitats OP/BP 4.04 | | X | | |
| Forests OP/BP 4.36 | | | X | |
| Pest Management OP 4.09 | | X | | |
| Physical Cultural Resources OP/BP 4.11 | | | X | |
| Indigenous Peoples OP/BP 4.10 | | | X | |
| Involuntary Resettlement OP/BP 4.12 | | | X | |
| Safety of Dams OP/BP 4.37 | | | X | |
| Projects on International Waterways OP/BP 7.50 | | | X | |
| Projects in Disputed Areas OP/BP 7.60 | | | X | |
| Legal Covenants | | | | |
| Name | Recurrent | Due Date | Frequency | |
| | | | | |
| Description of Covenant | | | | |
| | | | | |
| Conditions | | | | |
| Source Of Fund | Name | Type | | |
| | | | | |
| Description of Condition | | | | |
| | | | | |
| Team Composition | | | | |
| Bank Staff | | | | |
| Name | Role | Title | Specialization | Unit |
| Jian Xie | Team Leader (ADM Responsible) | Senior Environmental Specialist | TTL | GEN01 |
| Stephen Ling | Team Leader | Lead Specialist | TTL | GEN2B |
| Suiko Yoshijima | Team Leader | Environmental Specialist | Industrial pollution management | GEN06 |
| Joel Buku Munyori | Procurement Specialist (ADM Responsible) | Senior Procurement Specialist | Procurement Specialist | GGO01 |

| | | | | | |
|----------------------|--------------------------------------|--------------------------------------|-------------------------------------|---------------|-----------------|
| Henry Amena Amuguni | Financial Management Specialist | Sr Financial Management Specialist | | GGO31 | |
| Christine Heumesser | Team Member | Economist | Economic analysis | GFAGE | |
| Emilie Suarez Santos | Team Member | Legal Analyst | Lawyer | LEGAM | |
| Jane A. N. Kibbassa | Environmental Safeguards Specialist | Senior Environmental Specialist | Environmental Safeguards Specialist | GEN01 | |
| Jean O Owino | Team Member | Finance Analyst | Disbursement | WFALA | |
| Mary C.K. Bitekerezo | Social Safeguards Specialist | Senior Social Development Specialist | Social Safeguards Specialist | GSU07 | |
| Extended Team | | | | | |
| Name | Title | Office Phone | Location | | |
| | | | | | |
| Locations | | | | | |
| Country | First Administrative Division | Location | Planned | Actual | Comments |
| | | | | | |

I. STRATEGIC CONTEXT

A. Country Context

1. Lake Victoria is the largest lake in Africa, and its Basin includes major areas of 5 countries (Burundi, Kenya, Rwanda, Tanzania and Uganda), four of which are Nordic Development Fund (NDF) target countries and also among the poorest in the world. The Basin is a major population and poverty center in the Africa Region, and a trans-boundary natural asset of global importance. The Basin is home to around a third of those below the poverty line in the East African Community (EAC), living on around a ninth of its land surface. The Lake supports the world's largest freshwater fishery, with a total annual landed catch value estimated at around US\$0.5 billion, supporting the livelihoods of over 30 million people with an estimated increase of 3%, providing roughly 0.5 million tons of fish to local markets and generating US\$0.25 billion in export revenues. The establishment of the Nile Perch fishery in the 1980s and 1990s provided a resource boom that drew in poor and disadvantaged people from the neighboring countries. Large rural poor populations are also dependent on the degraded lands in the upper basin, particularly in Burundi, Rwanda and the Kenya highlands. In addition, the waters of the Lake and its catchment provide 90 percent of Uganda's hydropower, most of the hydropower for Rwanda and Burundi, and the water supply to major urban centers including Kampala, Mwanza and Kisumu. Protected areas cover 25 percent of the Basin's land area and include some of the most renowned wildlife attractions in Africa – Serengeti and Volcanoes National Parks.

2. The Lake Victoria Basin has also become a global example of environmental degradation. Historically, the introduction of the Nile Perch was associated with a mass extinction of native fish species, but Perch stocks have now themselves declined to probably less than half of their peak levels due to increased and uncontrolled fishing and other environmental stresses. Population pressure and environmental degradation within the Basin increasingly poses broader threats to livelihoods and welfare. Loss of forest cover and erosion of soils has chronic impacts on agricultural productivity as well as acute impacts where gullies destroy land, property and even lives. The flow of sediments and other pollutants into the Basin's rivers and ultimately the Lake reduces the supply of potable water, and causes algal blooms that are unpleasant for lakeshore communities and limit the tourism potential of the region. One of the most striking indicators of poor ecological health is the rapid colonization of the Lake by water hyacinth. Infestations of this invasive floating plant periodically block access to kilometers of lakeshore, preventing use of the Lake for transport and fishing, as well as posing serious health and safety risks to local inhabitants.

3. Existing vulnerabilities, including pollution, loss of soils, watershed function and stress on aquatic ecosystems are expected to be exacerbated (both cause and effect) by climate change, as temperatures rise and rainfall becomes more erratic. Extreme climatic events, including floods, droughts and landslides, and stress on water resources are expected to increase. Lake level and therefore large amounts of coastal infrastructure, are very sensitive to climatic changes. The Lake rose by about 2m within a couple of years in the 60s in response to a change in weather patterns, fell over the following decades partly due to drought occurrences, and has been rising again in recent years. By 2100, temperatures are projected to increase by 2-4 degrees Celsius in the basin area, with an increase in duration of heat waves and intensified droughts. The local population is expected to continue to grow with the ongoing strengthening of regional transport systems, but

degradation of the resource base exacerbated by climate change puts the long term economic prospects of the region at risk.

4. Climate change constitutes a concern in the national policy of Kenya, Uganda and Tanzania. The countries' first priority remains adaptation and increasing resilience. Kenya's Vision 2030, Uganda's Vision 2040 and Tanzania highlight the need to embark on a climate-resilient development pathway to strengthen adaptation measures across sectors and reduce climate induced risks and vulnerabilities. Even though these countries have a small contribution to global historic greenhouse gas (GHG) emissions, they acknowledge the need to mitigate GHG emission as co-benefit to adaptation measures. In 2015, Kenya, Tanzania and Uganda stated their Intended Nationally Determined Contributions (INDC) to support the global efforts to mitigate GHG emissions by reducing up to 30% of their emissions in a business as usual scenario.¹ To achieve these adaptation and mitigation goals, international support in the form of finance, technology development, transfer and capacity building are required. Also the engagement of the private sector in developing countries as partner in planning and achieving climate adaptation and mitigation is crucial.

B. Sectoral and Institutional Context

5. The Lake Victoria Environment Management Program (LVEMP) has been working to reduce the environmental stresses on the Lake through targeted investments mainly in watershed management, and sanitation and wastewater treatment. However, it has been realized that, in addition to action to reduce point-source pollution on the part of the public sector, there is a need to galvanize the private sector to do the same. A small, but markedly successful component of the project, has been the Resource Efficient and Cleaner Production (RECP) program. The joint UNIDO-UNEP program refers to RECP as the continuous application of an integrated preventive environmental strategy to processes, products and services along three sustainability dimensions (i) production efficiency through improved productive use of natural resources; (ii) environmental conservation through minimization of the impact on nature by the enterprise; (iii) human development through reduction of risks from enterprises and supporting their development. The aim for RECP strategies is the increase in productive use of natural resources, minimize generation of waste and emissions, foster safe and responsible production, thus leading to economic, reputational, and regulatory as well as environmental and climate change adaptation and mitigation related benefits.²

6. In LVEMP, the RECP program engages private industry within the Lake Basin to assess their production systems and adopt greener practices and technologies. An expenditure of a couple

¹By 2030 Kenya seeks to abate its total GHG emissions by 30 percent relative to the business as usual scenario of 143 MtCO₂eq Tanzania between 10 and 20 % compared to a business as usual scenario of 38-153 Mio CO₂-equivalent emissions, and Uganda aims at a reduction of approximately 22 % reduction of national GHG emissions compared to a business as usual scenario of 77.3 Mio CO₂eq emission. Source: Ministry of Environment and Natural Resources. 2015. Intended Nationally Determined Contributions. UNFCCC; United Republic of Tanzania (2015): Intended Nationally determined Contributions (2015); Uganda Ministry of Water and Environment (2015): Uganda's Intended Nationally Determined Contribution (2015). All documents available under: <http://www4.unfccc.int/submissions/INDC/Submission%20Pages/submissions.aspx> (last accessed January 2016).

²<http://www.unep.org/recp/>

of million USD solely on technical assistance (awareness and training of industries, and in-plant RECP assessments), has directly leveraged over \$80m in private sector investments in improved environmental practices. A survey of 30 of the most active firms in the program (from a total of 88 to date), revealed that factories were typically investing around \$1m in RECP technologies, with pay-back periods of around 2 years (equivalent to an IRR of around 35%).³ Most of these savings are coming from reduced usage of energy and water. Initial results are showing that actively participating industries are also able to reduce their pollution generation by around 90%. Despite the success of the RECP program, the scale of the environmental challenges within the basin far exceed the capacity of the funds allocated by LVEMP. According to information derived from the respective country revenue authority, there were a total of 1,100 industries around the basin in 2010⁴. LVEMP has reached about 20% of those industries through capacity building and around half of them have adopted cleaner production technologies, which equals to only 10% of the total industries. Further efforts are required to mobilize private sector investments which the existing RECP program has already demonstrated to leverage in significant quantities.

7. The RECP program is managed through National Cleaner Production Centers outside of government (coordinated by the Kenya Center that serves as a regional facilitator), and has been funded at the regional level through the Lake Victoria Basin Commission that has been created by the East Africa Regional Economic Community. The current phase of LVEMP has been extended to allow completion of investments at the national levels, and to keep the program active until 2017, when additional Regional IDA resources should become available for a new phase of investment. The next phase of the program is expected to be more ambitious in scope, with a more explicit emphasis on green and resilient growth within the Basin. However, currently, there are limited resources to support the RECP program, especially at this time when they would like to build on a successful pilot and scale-up the activities given the interest of industry stakeholders.

8. There is a strong interest from industry stakeholders to focus more on SMEs⁵ as introducing climate and clean technologies specifically in SMEs can drive the potential for sustainable economic growth while achieving environmental benefits, such as pollution and climate change mitigation benefit. In developing countries, SMEs are the backbone of the economy but at the same time are often among the highest polluters due to use of obsolete technology and lack of adequate pollution control systems, lack of institutional capacity to provide technical support services, or financial constraint which may demand public sector involvement to facilitate the clean and green development of these industries. RECP for SMEs generate a range of private and societal benefits such as reduced manufacturing and operating costs, growing employment opportunities, increased health and safety performance and reduced pollution and climate change mitigation benefits. Recent research demonstrates that engaging the private sector in developing countries more strongly as partner in planning and achieving climate adaptation is crucial and expected to have strong spillover effects. It can be significant to provide necessary services, technologies and business models to make investments climate resilient, catalyze greater investment reducing vulnerability, accelerate the replication of climate-resilient technologies and services, mobilize

³Status report for APL1 countries (Kenya, Tanzania, and Uganda) as of June 2014

⁴Status report for APL1 countries (Kenya, Tanzania, and Uganda) as of June 2014

⁵ In East Africa, the concept of SMEs varies from one country to another depending on the indicators used. The first criteria, based on the number of employees, defines SMEs as those enterprises below a certain number of workers (i.e. can range from less than 10 to less than 50 employees).

financial resources and technical capabilities, leverage the efforts of governments, and engage communities and civil society.⁶ Specifically in the Lake Victoria Basin, RECP has important adaptation and mitigation benefit: it reduces energy and water use (tea and sugar industries within the basin present opportunities for major energy savings), reduces pollution and sedimentation which has key climate risk multiplier effects through urban flooding and stress on wetland ecosystems as well as human health. Previous evidence has demonstrated RECP to be a very effective entry point for engaging businesses in sustainability issues more broadly – for instance, one tannery within the program has since undertaken to restore a local wetland area and tea factories are undertaking water catchment conservation activities as well as infrastructural and social amenity programs (e.g. schools, hospitals). This has the consequence of reducing the vulnerability of the rural population in which most of these industries are located.

9. Also, building on the success of existing RECP program, industries are increasingly interested in applying a more holistic and strategic approach of green supply chains which goes beyond the original approach of conducting in-plant assessments to identify opportunities to adopt cleaner production practices and technologies in their facilities. An important mechanism for achieving the basic goal of value addition and product quality enhancement is the adoption of sustainable, clean technologies⁷. Focusing on supply chain will allow industries to become more environmentally friendly and increase its competitiveness through innovations such as low-carbon products, sustainability related services, better product and packaging design, and other developments that can help increase revenues, enhance reputations and, command premium pricing through eco-certifications. Greening supply chains results in climate co-benefits from both a mitigation and adaptation perspective. More than three quarters of the GHG emissions associated with many industry sectors come from their supply chains⁸. Industries can reduce their carbon footprints by for example, using ropeways from tea estates to the tea factories to save transportation. Through the effort to promote green supply chains and bring global innovations to bear in this rapidly industrializing area, there is a possibility to change the paradigm of industrial growth to one that is more efficient, climate-smart, and socially and environmentally responsible, which ultimately could make a difference in climate action in the region.

C. Higher Level Objectives to which the Project Contributes

10. Having a link with LVEMP, the project contributes to national priorities and development strategies such as Kenya’s Vision 2030. There is keen political interest in the Lake specifically from national and local government levels. It is consistent with the Partnership Strategies in each of the participating countries through enhancing the sustainable management of a key productive asset, as well as contributions to livelihoods of the poor and vulnerable. Each of the three riparian states is deeply concerned about the environmental health and productivity of the Lake system, as expressed in the 2003 Protocol for Sustainable Development of Lake Victoria, which established LVBC to promote collaborative economic development alongside sustainable environmental management of the Basin.

⁶Biagini, B., Miller, A. (2013): Engaging the private sector in adaptation to climate change in developing countries: importance, status and challenges. *Climate and Development*. 5:3, 242-252, DOI: 10.1080/17565529.2013.821053

⁷ Economic Transformations Group, Kenya Leather Industry – Diagnosis, Strategy and Action Plan (2015)

⁸Y. Anny Huang, Christopher L. Weber, and H. Scott Matthews, “Categorization of Scope 3 Emissions for Streamlined Enterprise Carbon Footprinting,” *Environmental Science & Technology*, Vol.43: No. 22 (2009): 8509.

11. The project is also in accordance with the NDF 2014-15 strategy and proposal guidelines - focus on four targeted countries (Rwanda, Tanzania, Uganda, Kenya), key sectors (all three – infrastructure, natural resources, and climate capacity building), focus on the private sector, both adaptation and mitigation benefits, operational mainstreaming, supporting knowledge transfer, and facilitating monitoring.

II. PROJECT DEVELOPMENT OBJECTIVES

A. PDO

12. **The Project Development Objective is to increase use of and investment in resource-efficient and cleaner production technologies by private enterprises in the Lake Victoria Basin.** The scale of the Basin, and its environment and climate-related challenges, cannot be adequately addressed through public funding alone, but the success of the RECP pilot program to date has revealed the catalytic power of private sector investment, once their financial and corporate social and environmental interests are aligned. The project aims to expand on this engagement, leveraging successful partnerships to bring in new elements, such as sustainable supply chains and industrial symbiosis which are expected to play a major role in the scale-up of sustainable land management within the basin (as many of the local industries are agro-processors) and the joint adaptation and mitigation impacts that accompany it. This would provide a platform for the private sector engagement which will be further expanded in the next phase of LVEMP beyond 2017.

Project Beneficiaries

13. The main beneficiaries of this project will be the private industries and National Cleaner Production Centers which have easier access to knowledge, capacity building, partnerships and financing opportunities and benefit from outcomes of the proposed industry and value chain studies. The Environmental Regulatory Agencies will also benefit from improvement in compliance because of the voluntarily efforts by industries to minimize pollution. Indirect beneficiaries include (i) population that benefits from increased employment opportunities. Climate and clean technology sectors are innovative and in general compare favorably with other sectors in terms of innovation output but also job creation and job quality (ii) population within the Basin that benefits from increased environmental benefits related to reduced pollution in the Lake, decreased land degradation.

14. Special attention is paid for gender to respond to the interests by NDF. SMEs owned by females and female employees will be given high priority in the trainings, seminars and in-plant assessments. Number of female beneficiaries will be tracked as part of indicators.

PDO Level Results Indicators

15. Proposed PDO indicators are:
- 1) Share of targeted private enterprises in Lake Victoria Basin using one or more RECP technologies as a result of the project

- 2) Total amount of investment in RECP technologies by targeted private enterprises as a result of the project
- 3) Total amount of greenhouse gas emissions avoided on annual basis as a result of project interventions

16. PDO indicators focuses on the expanding the engagement of the private sector especially SMEs. It also aims at measuring the effectiveness of the project intervention to promote private sector investments. Each component has intermediate indicator namely, i) Participants in training events conducted on resource efficient and cleaner production technologies and financing for small and medium enterprises (disaggregated by sex); ii) Private sector co-finance for in-plant assessments; iii) In-plant assessment conducted' iv) Training events for national environmental agencies; and v) Number of green supply chain pilots identified.

III. PROJECT DESCRIPTION

A. Project Components

17. The project consists of the following three components.

18. **Component 1: *Scaling-up the RECP Activities***: This component aims to expand the scope of engagement, for a broader and more sustainable program of resource-efficient and cleaner production (RECP) activities with the private sector. The existing RECP program is based on training and detailed, joint in-plant assessments, mainly with larger firms. The scale-up of this program is necessary not only to build on the lessons learned so far and carry momentum through to the next phase of LVEMP, but also because it has been shown to generate genuine win-wins for the environment and bottom line, which provide an entry point to engage the private sector on environment and climate activities more broadly. Through the joint in-plant assessment, it also provides the perfect experiential platform for identifying the opportunities. The aim is to extend and expand the current program beyond large enterprises, to include small and medium enterprises (SMEs) and their umbrella associations. The expected outcomes of this component are increased adoption of RECP by targeted industries including SMEs, contributing to the compliance enforcement on regional effluent standards and the reduction of industrial pollution that are discharged into Lake Victoria. It will also support sustainability of the NCPC by requesting the private enterprises to co-finance the cost of in-plant assessment by up to 20%⁹ so that NCPC can obtain its own source of income to sustain their business. Primary consensus for 20% co-financing was built among the EAC countries based on experiences in other projects in Kenya (e.g. the Energy Efficiency Project implemented by the Kenya Association of Manufacturers (KAM)).

19. This component consists of Subcomponent 1.1: Scaling up existing RECP activities; and Subcomponent 1.2: Expanding partnership.

20. **Component 2: *Strengthening the Facilitating Environment for RECP***: Participation in the RECP program is and will remain voluntary, but this component aims to strengthen the incentives for companies to adopt RECP technologies. The expected outcomes of this component are promotion of private sector engagement in resource efficient and cleaner production through

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raising awareness and strengthening monitoring capacity and increased transparency. This component consists of Subcomponent 2.1: Enabling environment for RECP; and Subcomponent 2.2: Designing financial scheme for sustainability of RECP programs.

21. **Component 3: Piloting Green Growth instruments:** This component aims at engaging private sector support for more sustainable agricultural supply chains, particularly targeting important local agricultural commodities (e.g. sugar, tea, coffee, honey) which have intrinsic land management benefits or which offer options for improved production systems that also benefit environmental functions. The aim is therefore to engage the private sector with the Basin (much of which is involved in some form of natural resource-based or agri-processing industry) on sustainability issues beyond the factories themselves, and to promote private sector investment in sustainable land and watershed management. The expected outcomes of this component is successful pilot of green supply chain through collaboration with the private sector. This component consists of Subcomponent 3.1 Analysis of opportunities for greening agricultural value chains; Subcomponent 3.2 Green supply chain pilots.

B. Project Cost and Financing

22. The proposed project is financed through grants provided by Nordic Development Fund (NDF). The estimated project cost is 3.2 million euros. 800,000 euros will be allocated to BETF to conduct implementation support and additional analysis. Please see Annex 2 for details on BETF activities. There is only grant financing for this project. The implementation period is 15 months.

Table 1: Project Cost Table (in euros)

| Project Components | Implementation | RETF Financing | BETF & Fee | Total Financing |
|--|--|------------------|----------------|------------------|
| 1. Scaling up RECP Activities | | | | |
| - In-plant assessments (at least 100) | LVBC via KNCPC | 700,000 | | 700,000 |
| - Training & awareness for 300 target industries | LVBC via KNCPC | 400,000 | | 400,000 |
| - National industry awards events | LVBC via KNCPC | 200,000 | | 200,000 |
| - Regional industry award event | | 80,000 | | 80,000 |
| - SME Survey & workshops | LVBC via KNCPC | 100,000 | | 100,000 |
| - Mapping of industries, point source pollution and institutional assessment of waste management | World Bank based on data provided by NCPCs | 30,000 | 270,000 | 300,000 |
| - Industrial symbiotic relationships | LVBC via KNCPC | 100,000 | | 100,000 |
| - Interactive resource center and publications | LVBC via KNCPC | 130,000 | | 130,000 |
| - Training of financial sector | LVBC via KNCPC | 130,000 | | 130,000 |
| Subtotal | | 1,870,000 | 270,000 | 2,140,000 |
| 2. Enabling environment for resource efficient and cleaner production | | | | |
| - Policies and regulations gap analysis | LVBC/ NCPCs | 130,000 | | 130,000 |

| | | | | |
|---|---|---|--|---|
| - Engaging regulatory agencies – coordination meetings & policy - Development of environmental disclosure system including monitoring gap analysis - Capacity strengthening for monitoring, environmental audit inspections - Designing financial scheme for sustainability of RECP advisory services Subtotal | LVBC/NCPCs LVBC LVBC LVBC/KNPC | 50,000 170,000 170,000 140,000 660,000 | | 50,000 170,000 170,000 140,000 660,000 |
| 3: Piloting Green Growth instruments (Green supply chain, eco-certification) -Analysis of opportunities greening agricultural value chains - Engaging private sector - Pilot projects Subtotal | World Bank LVBC/KNPC LVBC/KNPC | | 270,000 50,000 300,000 270,000 | 270,000 50,000 300,000 620,000 |
| Coordination & support LVBC, KNPC operating cost Subtotal | LVBC, KNPC | 220,000 220,000 | | 220,000 220,000 |
| Contingency BB for implementation support Fee | | 100,000 | 100,000 160,000 | |
| Total Project Costs | | 3,200,000 | 800,000 | 4,000,000 |

C. Lessons Learned and Reflected in the Project Design

23. The project design takes into account lessons learned from implementation of LVEMP I and II as well as other similar projects:

- (i) ***RECP provides a compelling way to engage industries on climate change:*** RECP allows having a dialogue with industries about opportunities in energy efficiency, use of renewable energy, recycling, water savings - investments where the operational cost savings can be quantified and a business case demonstrated. This would allow industries to gain quick results thus compelling and convincing to take actions on climate change rather than discussing the issue in general. Implementation of RECP measures can realize economic benefits of US\$20,000 per year for medium enterprises. Benefits vary depending on the type and size of the industries ranging from US\$100/year for smaller industries to US\$50,000/year for larger industries¹⁰.
- (ii) ***Awareness raising and capacity building is critical:*** Quantification of the cost-saving and positive environmental impacts of RECP projects is critical for marketing and awareness purposes. Showing actual example through case studies helps industries understand the value of investing in RECP technologies. Under LVEMP II, NCPCs provide in-plant assessment to identify the opportunities for RECP investments. As a

¹⁰<http://www.cpkkenya.org>

result, 48% of the industries (141 out of 295) which received training have adopted RECP with their own investments. Given that LVEMP II is still under implementation, the figure is expected to further improve.

(iii) ***The visible engagement of the environment regulators and capacity building at local banking sector are critical for sustainability***: There is a trade-off between the financial support to RECP and the sustained impact of the Program. Private investment plays much more significant role in actual investments for adoption of RECP. Therefore, donor funded support should concentrate its efforts on encouraging private investments instead of supporting actual investments to ensure sustainability of the Program. The market for RECP investments would not be developed and industries would not be encouraged to move towards compliance and green growth if it is not accompanied by strong enforcement of the regulation and increased awareness at the local banking sector. Additional technical support and training are necessary to engage environment regulators and local banking sector.

(iv) ***Targeting the SMEs should be emphasized to increase their competitiveness, however, RECP project should not overlook the entire needs of SMEs and their growth constraints***: Many RECP improvements require little or no initial investment and offer rapid payback, therefore suitable for SMEs. Examples include: (i) Good housekeeping, such as keeping the workspace free from obstructions; (ii) Low-cost improvements, like replacing leaking valves or recalibrating thermometers and pressure gauges, etc. However, the project should be mindful that RECP or energy/resource consumption costs are only one aspect for competitiveness of SMEs. Their daily concern may have to do with payment of wages, ensuring deliveries, growing markets and many others. Many will be using subsidized or free sources of resources that they are now being asked to manage and record. The main failure of RECP programs is not taking into account the entire needs of companies and their growth constraints.

IV. IMPLEMENTATION

A. Institutional and Implementation Arrangements

24. The project would use existing LVEMP structures based on experience and lessons learned under LVEMP I and II. In developing the institutional framework for a trans-boundary shared resources institutions, experience shows that the following aspects need to be considered, and fulfilled as much as possible: (i) high level political support; (ii) a sizeable level of autonomy; (iii) stakeholder participation; (iv) sustainable funding mechanism; and (v) coordinated implementation of existing projects and programs. There is broad agreement amongst the Partner States that an appropriate regional coordination setting has been created through establishment of the Lake Victoria Basin Commission (LVBC). This development has provided a framework which, to a large extent, will be able to accommodate the various considerations listed above, and LVBC has strengthened its capacity over the years implementing LVEMP.

25. Project funds would be channeled through LVBC and the Kenya National Cleaner Production Centre (KNCPC) will be responsible for implementing scale up of existing RECP

activities under Component 1. The Kenya National Cleaner Production Centre (KNPC) will provide the technical lead and coordinate activities with filial National Cleaner Production Centres (NCPCs) in each of the project countries. The NCPCs are the nodal agencies of the UNEP-UNIDO Resource Efficient Program, therefore coordination with other donor funded initiatives can be ensured by them.

B. Results Monitoring and Evaluation

26. The project Results Framework in Annex 1 will be used for monitoring and evaluation of the project. A Monitoring and Evaluation Specialist at LVBC working on LVEMP II will monitor those indicators using the M&E system developed under LVEMP II. Results will be regularly reported in the implementation progress reports. Implementation progress reports will be prepared and submitted to the EAC and the World Bank in an agreed format no later than 45 days after the end of each quarter. LVBC will also ensure that progress by component and a technical summary are included in those progress reports. Efforts will be made to map out industries and track the environmental compliance with regional harmonized effluent standards to measure the ultimate impacts in terms of pollution reduction.

C. Sustainability (if applicable)

27. Sustainability of this investment will rest on whether there is continued demand from private industries to adopt RECP technologies. Successful implementation of cleaner production component of LVEMP I and II has proven the existence of such demands. Established as part of the global UNEP/UNIDO National Cleaner Production Centre program, NCPCs in the EAC partner states have played a significant role in promoting cleaner production in the region. Under LVEMP II, 295 industries received training out of which 141 industries have adopted cleaner production technologies in five participating countries. Implementation of cleaner production measures identified by in-plant assessment can realize an average of 20-30% reduction in pollutants, energy and water use and has economic benefits of US\$20,000 per year¹¹ for medium enterprises¹². Industries can start from implementing low hanging fruits to generate savings/benefits so that it can re-invest in other cleaner technologies. In that way sustainable financing resources are secured. Also countries such as Kenya has developed its Green Economy Strategy and Implementation Plan (GESIP) aimed at transforming the country from a brown to a green economy by 2030 and to realise with the SDGs. Resource Efficiency is one of the pillars of GESIP. Thus, this project contributes towards the implementation of GESIP into the future.

28. To ensure access to finance for the industries to invest in RECP technologies, KNPC will play a key role in training financial institutions (FIs) and raising their awareness through the Sustainable Financing Initiative that was voluntarily developed by Kenya Bankers Association with the support of IFC.

29. In addition to financial sustainability to continue reinvesting in RECP in the industries, Component 2 aims to create the market pull for cleaner production to give incentives to the

¹¹ Benefits varies depending on the type and size of the industries ranging from US\$100/year for smaller industries to US\$50,000/year for larger industries

¹²<http://www.cpkkenya.org>

industries to adopt cleaner production technologies. Lessons learned will be accumulated from pilot under Component 3 to further improve such market pull and experiences will be scaled up under the next phase of the LVEMP, which would ensure sustainability of the activities.

V. KEY RISKS AND MITIGATION MEASURES

30. The overall risk is “Moderate” as the scope of the project is focused on private sector engagement in promoting RECP in industries and mainly consists of analyses and studies. Implementation capacity at LVBC has been strengthened significantly over the years through implementation of LVEMP I and II. The financial management (FM) assessment for LVBC was carried out and it was found to have adequate capacity to implement the NDF grant. However, the FY15 audit revealed certain weaknesses in the system of internal control which resulted in ineligible expenditures which were refunded to the Bank. The LVBC is in the process of addressing the internal control weaknesses and strengthening the systems. In conclusion, the residual risk rating for LVBC was assessed as “Moderate” which satisfies the Bank’s minimum requirements under OP/BP10.00, and therefore is adequate to provide, with reasonable assurance, accurate and timely information on the status of the project required by IDA.

31. The risk for technical aspects is “Low”. The project requires a wider sectoral capacity to address RECP across a number of sectors in the SME sector. Such capacity has been built over many years in the NCPCs: for Tanzania since 1995, 2001 for Kenya, 2002 for Uganda and 2005 for Rwanda. Burundi experience is relatively new but it has been receiving technical support from Kenya CPC as Regional Coordination body. Those CPCs have addressed RECP in a number of sectors including dairy, sugar, fish processing, textile, vegetable oil, tea, coffee, hotels, beverage (soft drinks & brewery), ginnery, microenterprises (workshops, car wash, garages, petrol stations), iron & steel, hospitals, foam (mattresses).

32. Some of the analyses and studies will be conducted as Bank executed, further reducing the risk in terms of implementation capacity. Existing cleaner production activities conducted by the NCPCs has proven to be successful with fast disbursements thus implementation of the scale up is expected to be smooth.

33. The biggest risk lies in participation of the private sector and its continuous investments to sustain cleaner production. To mitigate such risk, the project incorporated in its design the activities to ensure sustainable financial scheme for continuing the promotion of cleaner production by encouraging the local banks to provide loans for investments and also creating a market for services NCPCs provide.

VI. APPRAISAL SUMMARY

34. *Economic Analysis.* The project plans to scale-up RECP activities (Component 1) by activities such as expanding capacity building and awareness raising opportunities, strengthening knowledge products and developing institutional knowledge networks, monitoring and mapping of industries, and supporting partnerships between local SMEs and investors for technology development. To support the scale-up of RECP, the project plans to strengthen the facilitating environment for RECP (Component 2) by strengthening enforcement of environmental regulations, institutional assessment and capacity building for enforcement, environmental

performance disclosure, and designing a financial scheme for sustainability of RECP program. Finally, the project will engage private sector to support the greening of supply chains (Component 3) by providing actionable analyses and pilots at demonstration scale.

35. These activities are expected to increase use of and investment in resource-efficient and cleaner production technologies by private enterprises in the Lake Victoria Basin. The economic and financial analysis is based on a qualitative assessment and shows the potential financial benefits that can accrue to SMEs by adopting RECP as well as the potential economic benefits that can accrue to the society at large.

36. **Potential financial benefits for SMEs.** The adoption of RECP for SMEs can increase production efficiency through optimization of the productive use of natural resources (materials, energy and water). RECP decrease the material intensity and energy intensity of goods and services and maximize the sustainable use of renewable resources, and can increase material durability and recyclability, leading to a reduce manufacturing and operating costs. The main financial benefits of RECP investments are expected from costs savings driven by efficiency-enhancing innovations;¹³ at the same time, the investments can also drive business growth opportunities, and increase SME's revenue from expanding production and capturing new markets, especially in rapidly growing economies and economies with consumers with increasing environmental demand. RECP investments entail greener and more resilient business models which may reduce the SMEs exposure and vulnerability to climate change and reduce related financial losses. In terms of non-monetary benefits, RECP SMEs can minimize their reputational risk and enhance their firm's brand by complying with voluntary or mandatory environmental standards.

37. Challenges in realizing these benefits lie in the perceived high risk of innovative investment, thus increasing the implicit discount rates, high transaction costs and longer supply chains which are inherent to the market structure of many clean technology businesses, the lack of up-front investment capital, or constraints related to uncertainty to government regulations and policies and lack of technical and commercial expertise and experience of staff. Some of these challenges will be tackled by project activities, thus supporting SME's to reap these potential benefits.¹⁴

38. **Potential economic benefits for society.** The adoption of RECP can enhance economic and environmental benefits, above all a reduction of negative regional and global environmental externalities, amongst others pollution, waste, toxic dispersion, soil erosion, or most importantly greenhouse gas (GHG) emissions. Reducing GHG emission is associated with a high social value

¹³ The RECP program in Tanzania and Kenya surveyed 30 firms showing that factory typically invested \$1m in RECP technologies, with pay-back periods of around 2 years (equivalent to an IRR of around 35 percent). Most of these savings are coming from reduced usage of energy and water. Initial results are showing that actively participating industries are also able to reduce their pollution generation by around 90 percent. Status report for APL1 countries (Kenya, Tanzania, and Uganda) as of June 2014

¹⁴ InfoDev (2014): Building Competitive Green Industries: The Climate and Clean Technology Opportunity for Developing Countries. Commissioned by World Bank, Washington DC; and World Bank (2012): Getting to Green. A Sourcebook of Pollution Management Policy Tools for Growth and Competitiveness. World Bank, Washington, DC.

of carbon¹⁵, at US\$30 per ton of CO² equivalent emission, which indicates the significant damage and loss that can be avoided by reducing GHG emission through the adoption of RECP. Reducing pollution, waste and land degradation can protect local communities, their livelihoods and has the potential to increase health benefits.¹⁶ Climate and clean technology sectors compare favorably with other sectors in terms job creation but also ensuring job quality. Green jobs tend to be more skilled, safer, and better paid than jobs in similar sectors. An example from the USA shows that employment in clean technology represents 2.6 percent of the total workforce, which is one-third of employment in manufacturing, or 40 percent of the financial services sector. By providing clear environmental regulations governments can reduce their reputational risk and increase reputational gains. By decreasing policy uncertainty, governments can reduce transaction costs and can help to attract investments. Ensuring environmental disclosure can further empower citizens.¹⁷

39. **Financial Management.** LVBC is currently implementing the Regional LVEMP-II Project. It is assessed as having adequate capacity to implement the NDF grant. LVBC has 2 qualified project accountants with the Sun systems accounting software. There also 2 qualified internal auditors. The budgeting, funds flows, accounting, internal control and auditing arrangements are assessed as adequate. However, the FY15 audit revealed certain weaknesses in the system of internal control which resulted in ineligible expenditures of USD.9,850 which were refunded to the Bank. The LVBC is in the process of addressing the internal control weaknesses and strengthening the systems.

40. The Project will adopt the statement of expenditure (SOE) method of disbursement. LVBC will open Designated (DA) and project account (PA) from which all project payments will be made. LVBC will prepare and submit to the Bank quarterly IFR within 45 days after the end of the calendar quarter. They will also submit audited financial statements and management within 6 months after the end of the financial year to which these relate.

41. The residual risk rating for LVBC was assessed as Moderate (M) which satisfies the Bank's minimum requirements under OP/BP10.00, and therefore is adequate to provide, with reasonable assurance, accurate and timely information on the status of the project required by IDA.

42. **Procurement.** The Bank's New Procurement Framework will apply to this new project. In this regard, the task team together with the Borrower will prepare the Project Procurement Strategy for Development (PPSD) to formulate the best procuring approach/solution that will also form the basis for the Procurement Plan. Although a short form of PPSD is envisaged, the extent and scope of the PPSD preparation, i.e., in terms of market analysis, market approach, selection/contracting options, strategy to engage suppliers/contractors/service providers, etc., will be defined during preparation when the full extent and scope of procurement activities is known.

¹⁵ The social cost of carbon is a measure, in dollars, of the long-term damage done by a ton of carbon dioxide (CO₂) emissions in a given year. This dollar figure also represents the value of damages avoided for a small emission reduction (i.e., the benefit of a CO₂ reduction).cp. <https://www.epa.gov/climatechange/social-cost-carbon> (accessed April 2017)

¹⁶ InfoDev (2014) and World Bank (2012)

¹⁷ InfoDev (2014) and World Bank (2012)

43. **STEP.** The project will use STEP, a planning and tracking system, which will provide data on procurement activities, establish benchmarks, monitor delays, and measure procurement performance.

44. Procurement performance of LVBC is considered adequate and there are no changes proposed to the implementation arrangements. The overall risk for procurement is considered as “Moderate” as LVBC has strengthened its capacity through implementation of LVEMP I and II and that the envisaged procurement activities are low-value, low-risk, non-complex procurement for goods, non-consulting and consultant services contracts.

45. ***Environmental Safeguards.*** In LVEMP II, the RECP program engages private industry within the Lake Basin to assess their production systems and adopt greener practices and technologies. The ultimate goal of RECP strategies is the increase in productive use of natural resources, minimize generation of waste and emissions, foster safe and responsible production, thus leading to economic, reputational, and regulatory as well as environmental and climate change adaptation and mitigation. The project is envisaged to generate a range of private and societal benefits such as reduced manufacturing and operating costs, growing employment opportunities, increased health and safety performance and reduced pollution and climate change mitigation benefits. The project has been assigned Environmental Assessment risk Category B and triggers the following safeguard policies: Environmental Assessment (OP/BP 4.10); Natural Habitat (OP/PB 4.04); and Pest Management (OP/4.09).

46. The Environmental and Social Management Framework (ESMF) and Integrated Pest Management Plan (IPMP), prepared for the second phase of the Lake Victoria Environmental Management Project (LVEMP II) remain relevant and adequate to provide strategic and operational guidance for the integration of environmental and social considerations into the planning and implementation of the proposed NDF activities. ESMF in all instances has been applied for the initial screening of the proposed project activities for any negative environmental and social impacts which would require attention prior to project implementation.

47. The environmental and social safeguards management capacity of LVBC has been enhanced through coordination of LVEMP II implementation. At the national level, the existing arrangement for managing environmental and social issue under the respective national environment management agencies will be maintained. Each National Project Coordination team has adequate experience in safeguard management and operates in close collaboration and oversight from the national environmental regulatory authorities. The project team will be responsible for implementation of the activities and agencies will play an oversight role on the implementation of the project and to ensure quality and compliance with country regulations.

A. Other Safeguards Policies Triggered *(if required)*

48. N/A

B. World Bank Grievance Redress

49. Communities and individuals who believe that they are adversely affected by a World Bank (WB) supported project may submit complaints to existing project-level grievance redress

mechanisms or the WB's F (GRS). The GRS ensures that complaints received are promptly reviewed in order to address project-related concerns. Project affected communities and individuals may submit their complaint to the WB's independent Inspection Panel which determines whether harm occurred, or could occur, as a result of WB non-compliance with its policies and procedures. Complaints may be submitted at any time after concerns have been brought directly to the World Bank's attention, and Bank Management has been given an opportunity to respond. For information on how to submit complaints to the World Bank's corporate Grievance Redress Service (GRS), please visit <http://www.worldbank.org/GRS>. For information on how to submit complaints to the World Bank Inspection Panel, please visit www.inspectionpanel.org.

Annex 1: Results Framework and Monitoring

Country East Africa Community : Engaging Private Sector for Green Growth in the Lake Victoria Basin Project

Project Development Objective (PDO): To increase use of and investment in RECP technologies by private enterprises in the Lake Victoria Basin

| PDO Level Results Indicators* | Core | Unit of Measure | Baseline | Cumulative Target Values** | | | Frequency | Data Source/ Methodology | Responsibility for Data Collection | Description (indicator definition etc.) |
|--|--------------------------|------------------------|----------|----------------------------|--------|------------|-------------|--|------------------------------------|---|
| | | | | YR 1 | YR 2 | End Target | | | | |
| Indicator One: Share of targeted private enterprises in Lake Victoria Basin using one or more RECP technologies as a result of the project | <input type="checkbox"/> | % | 0 | 25 | 50 | 50 | Bi-annually | Tracking study on targeted private enterprises | KNPCPC | In-plant assessment conducted by KNPCPC will recommend a list of RECP technologies. Private enterprises will report to KNPCPC which technologies are used and the amount of investments and benefits, which will be verified by KNPCPC. |
| Indicator Two: Total amount of investment in RECP technologies by targeted private enterprises as a result of the project | <input type="checkbox"/> | USD million | 0 | 6 | 30 | 30 | Annually | Tracking study on targeted private enterprises | KNPCPC | As part of its reporting, private enterprises will report how much investments they made to implement RECP measures. |
| Indicator Three: Total amount of greenhouse gas emissions avoided on annual basis as a result of project interventions | <input type="checkbox"/> | tons of CO2 equivalent | 0 | 15,000 | 30,000 | 30,000 | Bi-annually | Tracking study on targeted private enterprises | KNPCPC | As part of its reporting, private enterprises will report GHG reduction by adopting RECP technologies recommended by in-plant assessment provided by the project. |

INTERMEDIATE RESULTS

Intermediate Result (Component One): Scaling-up the RECP Activities

| | | | | | | | | | | |
|---|--------------------------|----------------------|---|-----------|-----------|-----------|-------------|-------------------------------------|--------|--|
| <i>IRI 1:</i> Participants in training events conducted on resource efficient and cleaner production technologies and financing for small and medium enterprises (disaggregated by sex) | <input type="checkbox"/> | Number (% of female) | 0 | 150 (30%) | 150 (30%) | 300 (30%) | Bi-annually | Review of training providers report | KNPCPC | |
| <i>IRI 2:</i> Private sector co-finance for in-plant assessments | <input type="checkbox"/> | % of total | 0 | 10 | 20 | 20 | Annually | Review of NCPCs financial report | KNPCPC | |
| <i>IRI 3:</i> In-plant assessment conducted | <input type="checkbox"/> | Number | 0 | 50 | 50 | 100 | Bi-annually | NCPCs in-plant assessment | KNPCPC | |

Intermediate Result (Component Two): Facilitating the Environment to Promote Sector Engagement

| | | | | | | | | | | |
|---|--------------------------|--------|---|---|---|----|-------------|---------------------------|--------|--|
| <i>IRI 4:</i> Training events for national environmental agencies | <input type="checkbox"/> | Number | 0 | 5 | 5 | 10 | Bi-annually | Training providers report | KNPCPC | |
|---|--------------------------|--------|---|---|---|----|-------------|---------------------------|--------|--|

| Intermediate Result (Component Three): Piloting Green Growth Instrument | | | | | | | | | | |
|---|--------------------------|--------|---|---|---|---|----------|--|--------|--|
| <i>IRI 5</i> : Green supply chain pilots identified | <input type="checkbox"/> | Number | 0 | 0 | 2 | 2 | Annually | Review of report by NCPC on greening agricultural value chains | KNPCPC | |

*Please indicate whether the indicator is a Core Sector Indicator (see further <http://coreindicators>)

**Target values should be entered for the years data will be available, not necessarily annually

Annex 2: Detailed Project Description (optional)

Eastern Africa: ENGAGING PRIVATE SECTOR FOR GREEN GROWTH IN THE LAKE VICTORIA BASIN PROJECT

1. The project consists of the following three components.
2. **Component 1: *Scaling-up the RECP Activities***: This component aims to expand the scope of engagement, for a broader and more sustainable program of resource-efficient and cleaner production (RECP) activities with the private sector. The existing RECP program is based on training and detailed, joint in-plant assessments, mainly with larger firms. The scale-up of this program is necessary not only to build on the lessons learned so far and carry momentum through to the next phase of LVEMP, but also because it has been shown to generate genuine win-wins for the environment and bottom line, which provide an entry point to engage the private sector on environment and climate activities more broadly. Through the joint in-plant assessment, it also provides the perfect experiential platform for identifying the opportunities. The aim is to extend and expand the current program beyond large enterprises, to include small and medium enterprises (SMEs) and their umbrella associations. The expected outcomes of this component are increased adoption of cleaner production technologies by targeted industries including SMEs, contributing to the compliance enforcement on regional effluent standards and the reduction of industrial pollution that are discharged into Lake Victoria.
3. Subcomponent 1.1: Scaling up existing RECP activities: This subcomponent provides for a continuation of the cleaner production program under the LVEMP, bridging the gap to an expanded next phase. It will also bring in the new aspect of industrial symbiosis, exploring possible waste exchange and recycling relationships between businesses. The main activities include: (a) expanding training of targeted industries on cleaner production technologies; (b) undertaking cleaner production in-plant assessments; (c) conducting award events to promote recognition and peer-learning; (d) continued monitoring and mapping of industries and effluents to assess the environmental impacts of the program and the level of compliance with the regional effluent standards developed under LVEMP II; and e) assessing options for and promoting symbiotic waste exchange between industries.
4. Subcomponent 1.2: Expanding partnership: Expanding the reach of the program to SMEs is critical to achieving wider impact. This will involve conducting surveys and rapid assessments of SMEs to determine the number, locations and types of industries, their environmental impacts, and common opportunities, challenges and entry-points for introducing RECP technologies. Potentially key industries within which SMEs are important include a variety of agro-processing industries, fish-processing, mining (which is largely carried out at small scales within the Basin and motor vehicle servicing centers. Experience in reaching out SMEs to date suggests that successful engagement will require: a) making guidance on simple, industry-specific green technologies more readily available, rather than only conducting in-depth site-specific assessments that limit the number of industries that can be assisted; and b) potentially addressing the availability of finance for green investments by engaging the financial sector, particularly providing training on the financial returns from RECP technologies and how to assess loan applications. Accordingly this subcomponent will help address these aspects through i) Strengthening knowledge products such as industry-specific manuals and guides for simple green technologies; ii) Developing

institutional knowledge networks establishing an accessible and interactive on-line resource center (including use of social media); iii) Conducting workshops for raising awareness and study tours for knowledge exchange; iv) Introducing partnerships between local clean technology SMEs and investors for technology development¹⁸; iv) Building capacity through providing training opportunities such as financial analysis; and (v) Engaging and building capacity of industry associations to support members in RECP. In conducting these tasks, global experiences will be studied through South-South and North-South knowledge exchange to benefit from other completed/ongoing RECP programs implemented in different region such as South Asia as well as those implemented by other agencies such as the joint UNIDO-UNEP Resource Efficient Cleaner Production Program and the green growth initiative by the Korea National Cleaner Production Center and Korea Industrial Complex Corporation.

5. Component 2: Strengthening the Facilitating Environment for RECP: Participation in the RECP program is and will remain voluntary, but this component aims to strengthen the incentives for companies to adopt RECP technologies. The expected outcomes of this component are promotion of private sector engagement in resource efficient and cleaner production through raising awareness and strengthening monitoring capacity and increased transparency.

6. Subcomponent 2.1: Enabling environment for cleaner production. While RECP remains as a voluntary environmental governance tool, incentives can be created to encourage companies to adopt RECP technologies. These can be done through i) Strengthening enforcement of environmental regulations (command-and-control); and ii) Empowering the public with information to check on industries to reduce pollution (environmental performance disclosure). Strengthening enforcement (i) will be done through institutional assessment and capacity building for enforcement of environmental regulations. It will take stock of the existing policies and regulatory environments and emissions standards to identify gaps and recommendations for incentives to strengthen the overall enabling environment for cleaner production. There are a number of legal and regulatory policies that can be investigated, such as tax incentives, taxation on pollution or natural resources use, incentives to attract skilled labor. Environmental performance disclosure (ii) will be conducted through strengthening data collection and monitoring and making information related to environmental performance of the industries available to the public.

Subcomponent 2.3: Designing financial scheme for sustainability of RECP programs. The subcomponent aims at developing the sustainable financial mode/market for making RECP advisory services available to make RECP program self-sustained. This will include potential market survey for willingness to pay for advisory services as well as type of advisory services where demands of industries exist. It will also identify sources of expertise required for providing such services. This subcomponent will also initiate a dialogue to go beyond sustaining advisory services to explore potential financial incentive mechanisms to support RECP to be considered in the next phase of LVEMP.

¹⁸ There is Kenya Bankers' Association Sustainable Financing Initiative to enable banks to reach new clients for cleantech.

7. ***Component 3: Greening Supply Chains:*** This component aims at engaging private sector support for more sustainable agricultural supply chains, particularly targeting important local agricultural commodities (e.g. sugar, tea, coffee, honey) which have intrinsic land management benefits or which offer options for improved production systems that also benefit environmental functions. The aim is therefore to engage the private sector with the Basin (much of which is involved in some form of natural resource-based or agri-processing industry) on sustainability issues beyond the factories themselves, and to promote private sector investment in sustainable land and watershed management. The expected outcomes of this component is successful pilot of green supply chain through collaboration with the private sector.

8. Subcomponent 3.1 Analysis of opportunities for greening agricultural value chains. Agriculture is a major livelihood source in the Basin, and at the same time is identified as a key driver of land degradation. It is therefore strategic to stimulate investments in agriculture that can increase the economic productivity of its value chains whilst reducing its environmental impact. Such investments can be made through the process of greening of agricultural value chains which aims for environmentally sustainable agriculture and economically sustainable agriculture. Several approaches exist for greening agricultural value chains such as creating markets and improving market connections for example creating access to market premiums for eco-certification and eco-labeling and capacity development; introduction of out-grower schemes; introduction of new technologies for example associated with climate smart agriculture; and developing new infrastructure such as feeder roads.

9. This subcomponent will therefore include analysis of approaches for greening value chains for selected commodities in the Lake Basin. Activities will include analysis of (i) the options for products or production systems, which provide direct environmental benefits or have potential as alternative livelihoods to reduce fishing effort, and/or can be produced in more sustainable / environmentally-friendly systems; (ii) the incentives and barriers for private companies to support those products / production systems in terms of increased production, quality, market access or premium pricing; and (iii) practical means by which those companies can work with producers / suppliers to collectively discuss opportunities and potential innovative solutions to promote those changes. Finally, an action plan for private sector outreach and engagement will be developed.

10. Subcomponent 3.2 Green supply chain pilots. Based on the analysis of opportunities above and the interests of private sector partners, this component will provide funds to support the initiation of some green supply chain activities at a demonstration scale. This will be on a cost-sharing basis – e.g. the project could fund analysis and verification of eco-certification requirements in support of a company’s sustainability investments, or could support the adoption of improved agronomic techniques amongst farmers to complement private sector investment in improved collection / storage / processing infrastructure. These pilot initiatives would provide a platform for larger programs during the next phase of LVEMP investment, and would help to assess the best mechanisms for their delivery – e.g. focusing on training and facilitation, establishing matching-grant funds, working with other partners in this sphere, such as the Livelihoods Fund for Family Farming, which already has a pilot project on improved dairy production in the Basin.

Bank-executed activities

11. For speed for implementation, harmonization with preparation and design activities for the next phase of LVEMP funding, and to leverage other Bank-executing funding, some analytical work under the NDF grant is proposed as Bank-executed activities. These include:

- i. Mapping of spatial data on point-source pollution, including locations, types & emissions of industries, and sources of waste water and solid waste & treatment systems.
- ii. Institutional analysis of wastewater and solid waste management systems..
- iii. Value chain analyses to identify opportunities to engage private companies in greening of supply chains.

12. **i) Industry and pollution mapping** – Under LVEMP II, A total of 621 industries have been mapped and earmarked for RECP intervention in the region (Kenya 89; Tanzania 109; Uganda 158; Burundi 130; and Rwanda 135). GIS map of the industries and their respective pollution loadings have been developed at both national and regional level. The mapping covered diverse industrial sectors in the region (Kenya-15 sectors, Uganda-28 sectors, Tanzania- 30 sectors and Burundi- 8 sectors), making a total of 36 enterprise sectors regionally. This covers about a half of the total MSMEs existing in the basin which is approximately 1,500. Mapping included name, location, industrial activity, sector/cluster, GPS way point, longitude, latitude, municipality and pollution load. The project will enhance existing mappings by adding type and source of waste/emissions for additional industries where measurement is not yet done, treatment systems, and compliance information with the regional harmonized effluent standards (BOD and COD). There is a need on mapping new industries and hotspots which are of significance in terms of pollution. Also, the mapping will be handed over to NCPCs so that information can be updated regularly after the project closes.

ii) **Institutional analysis of wastewater and solid waste management systems** - This will assess potential for greater private sector involvement in the financing and management of waste management systems, building in part on regional activities under the Bank’s Water & Sanitation Program. Currently the sanitation assessment is ongoing in Uganda, and also a study is underway for Kigali which could inform sanitation development in secondary cities in Rwanda. It is critical that moving forward an institutional assessment is carried out for major hotspots/towns in the basin.

13. **iii) Value chain analysis** – Value chain analysis will be conducted to engage in sustainable supply chains, particularly targeting key local agribusinesses (e.g. sugar, tea, coffee) with large potential impacts or benefits from improved land management and infrastructure such as feeder roads. It will analyze benefits of out-grower schemes in terms of increased sustainability and productivity, or market premiums for eco-certification. It will also encourage more holistic industrial ecology principles, develop institutional knowledge networks for RECP, undertake life-cycle assessments for certain products with high climate and environmental footprints, improve the adoption of Environmental Management Systems (e.g. based on integrated ISO 18000), and improve public disclosure.

Annex 3: Implementation Arrangements (optional)

Eastern Africa: GREEN GROWTH IN THE LAKE VICTORIA BASIN PROJECT

Project Institutional and Implementation Arrangements

General Considerations

1. The project would use existing LVEMP implementation structures, specifically those for regional activities, and for the existing RECP program. The Lake Victoria Basin Commission (LVBC) implements activities at the regional level, and has strengthened its capacity over the years of implementing LVEMP. For RECP activities, specifically, LVBC has engaged the Kenya National Cleaner Production Centre (KNCPC) to provide the technical lead and coordinate activities with filial national cleaner production centers in each of the project countries. National Project Coordination Teams in each of the member countries are also involved in facilitating, overseeing, and more recently co-financing RECP activities at the national level, but for simplicity, the funding for the current project will flow through regional implementation structures. As LVEMP is an ongoing program, grant administration and fiduciary management arrangements are already in place and financed by LVEMP. Therefore there is little management overhead required for the implementation of the NDF grant. In the event that there is a break between the close of the current phase of LVEMP and the mobilization of funds for the next phase, however, it is possible that some funds may need to be used to support a skeleton staff for fiduciary management in LVBC. The following flow chart shows the implementation structure and detailed responsibility of each entity is described below.

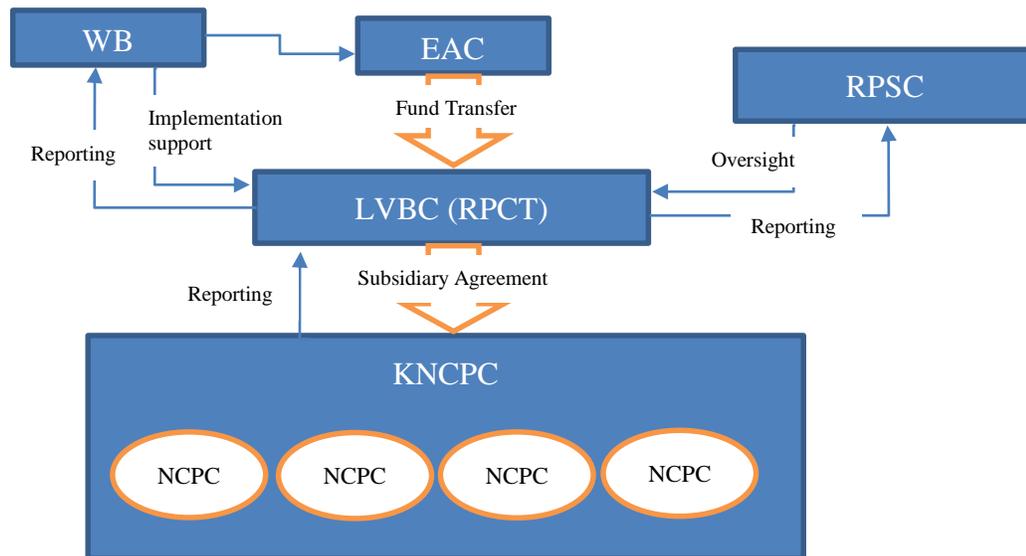


Figure. Implementation Structure

2. **Lake Victoria Basin Commission (LVBC):** The LVBC is mandated by the Protocol to coordinate programs and other interventions undertaken by the EAC Partner States in the LVB.

Therefore, while project implementation will primarily be the responsibility of national institutions, the coordination of the project regionally among the EAC Partner States, and implementing regional activities will be the responsibility of the LVBC. According to the Protocol, the LVBC coordinates with the Partner States through the appointed National Focal Point Officers (NFPOs), who are senior officials in the designated NFPMs.

3. The LVBC reports to the Sectoral Council of Ministers for the LVB, an arm of the EAC Council of Ministers, through the LVB Coordination Committee constituted at Permanent Secretaries' level. The LVB Coordination Committee submits reports and recommendations to the Sectoral Council of Ministers on the implementation of the Protocol and implements the decisions of the Council of Ministers. Additionally, the Protocol provides for the establishment of specific Regional Policy Steering Committees (RPSCs), as and when required, to oversee and guide implementation of regional projects. Thus, the overall responsibility for policy guidance for the project at the regional level resides with the EAC/LVBC Regional Policy Steering Committee for LVEMP II.

4. **Regional Project Coordination Team (RPCT):** LVEMP II RPCT, anchored and mainstreamed within the LVBC Secretariat with a full-time Regional Project Coordinator (RPC), was established under LVEMP for the technical execution, supervision and coordination of the project activities. Reporting to the Deputy Executive Secretary (Projects and Programs) within LVBC, the RPCT acts as the executive arm of LVBC. It is responsible for planning, initiating, and the day-to-day management of LVEMP II regional activities and for implementing policies and work plans, approved by the RPSC. RPCT will be also responsible for planning and implementing the activities under this project.

5. The RPCT is responsible for: (a) preparing the annual work plans, expected completion dates and estimated budgets of the project's activities for the RPSC's approval, in consultation with the countries; (b) providing technical inputs into the procurement process (for consultancy services) and assisting in the technical evaluation of bids/proposals and award of contracts; (c) supervising implementation of, and recommend payments under, all procurement contracts; (d) coordinating and facilitating the participation of all relevant actors; (e) monitoring and maintaining adequate records of project grant funds; (f) monitoring of project activities and preparing regular progress reports to the EAC and the Bank, including the baseline and values of specific implementation indicators by component; (g) submit the quarterly Interim Financial Reports and the annual Audit Reports to the Bank in a timely manner; and (h) ensure quality of deliverables and resolve implementation issues. The RPCT's detailed responsibilities will be set out in the project's Regional Project Implementation Plan, prepared by LVBC.

6. **Kenya National Cleaner Production Centre (KNCPC):** KNCPC was established in July 2000 as part of the global UNEP/UNIDO National Cleaner Production Centre program. Their mandate is to promote RECP practices in enterprises to improve competitiveness and

environmental excellence through material, water and energy efficiency as well as waste minimization. They have been in charge of technical implementation of cleaner production component under LVEMP Phase I and II. They are responsible for overall coordination with National Cleaner Production Centers (NCPCs) in partner countries.

7. **Regional Policy Steering Committee (RPSC):** The membership of RPSC consists of two Permanent Secretaries from each EAC Partner State as follows: (a) the Permanent Secretaries responsible for the NFPMs¹⁹ (b) the Permanent Secretaries responsible for Water (Kenya), Environment (Tanzania) and Fisheries (Uganda). In addition, depending upon the agenda for an RPSC meeting, Permanent Secretaries of relevant ministries can be invited. The National Focal Point Officers (NFPOs) and National Project Coordinators (NPCs) attend RPSC meetings as resource persons, while technical experts from among the Partner States will be invited to participate, as circumstances warrant. The RPSC shall provide over all guidance to the Regional Project Coordination Team (RPCT - see below) to ensure that project components and activities implemented both regionally and nationally blend as intended, to fulfill the regional objectives of LVEMP II. The RPSC plays an important role in: (i) approving the annual work program and budget submitted by LVBC; (ii) overseeing the overall progress in project implementation; and (iii) providing advice about collaborative needs and arrangements vis-a-vis other related regional initiatives and project activities ongoing in the LVB. The RPSC meets at least twice a year, and the Chair will be selected on a rotational basis from among the three (or five) Permanent Secretaries of the NFPMs. The LVBC convenes the RPSC meetings and act as its Secretariat. The Regional Project Coordinator (RPC) within LVBC will be the Secretary to the RPSC.

8. **National Cleaner Production Centers (NCPCs):** While LVBC is implementation agency, National Cleaner Production Centers will be in charge of technical implementation of the project especially for the component 1. This follows the same structure as LVEMP. The Kenya National Cleaner Production Centre (KNCPC) will provide the technical lead and coordinate activities with filial National Cleaner Production Centers (NCPCs) in each of the project countries. The NCPCs are the nodal agencies of the UNEP-UNIDO Resource Efficient Program, therefore coordination with other donor funded initiatives can be ensured by them.

¹⁹ Currently, the Focal Point Ministries are: Ministry of Environment and Mineral Resources (Kenya), Ministry of Water and Irrigation (Tanzania), and Ministry of Water and Environment (Uganda). In the event of any reorganization of sectors among ministries in Partner States, the WSC members will be the Permanent Secretaries responsible for Environment (Kenya) and Water (Tanzania and Uganda). Burundi and Rwanda are not part of APL 1, but they will be represented on the RPSC.

Annex 4: Financial Assessment

A. Executive Summary

The Bank FM team conducted financial management (FM) assessment of the LVBC in September 2016. This was in respect of a grant from the Nordic Development Fund (NDF) of USD3.5 million to be made to the Lake Victoria Basin Commission (LVBC). The objective of the assessment was to determine: (a) whether LVBC had adequate financial management arrangements to ensure that Project funds will be used for purposes intended, in an efficient and economical way; (b) LVBC financial reports will be prepared in an accurate, reliable and timely manner; and (c) the project assets will be safeguarded.

The financial management (FM) assessment was carried out in accordance with the Bank Directive: Financial Management Manual For World Bank Investment Project Financing Operations issued February 4, 2015 and effective from March 1, 2010; and the Bank Guidance: Financial Management in World Bank Investment Project Financing Operations Issued and Effective February 24, 2015.

LVBC is currently implementing the Regional LVEMP-II Project. It is assessed as having adequate capacity to implement the NDF grant. LVBC has 2 qualified project accountants with the Sun systems accounting software. There also 2 qualified internal auditors. The budgeting, funds flows, accounting, internal control and auditing arrangements are assessed as adequate. However, the FY15 audit revealed certain weaknesses in the system of internal control which resulted in ineligible expenditures of USD 9,850 which were refunded to the Bank. The LVBC is in the process of addressing the internal control weaknesses and strengthening the systems.

The Project will adopt the statement of expenditure (SOE) method of disbursement. LVBC will open Designated (DA) and project account (PA) from which all project payments will be made. LVBC will prepare and submit to the Bank quarterly IFR within 45 days after the end of the calendar quarter. They will also submit audited financial statements and management within 6 months after the end of the financial year to which these relate.

In conclusion, the residual risk rating for LVBC was assessed as Moderate (M) which satisfies the Bank's minimum requirements under OP/BP10.00, and therefore is adequate to provide, with reasonable assurance, accurate and timely information on the status of the project required by IDA.

B. Detailed Financial Management Assessment

Budgeting

LVBC's budgetary process was assessed to be adequate. The project budgeting is mainstreamed in the LVBC institutional budget process. The budget process has sufficient oversight through the Council of Ministers and the Executive Secretary.

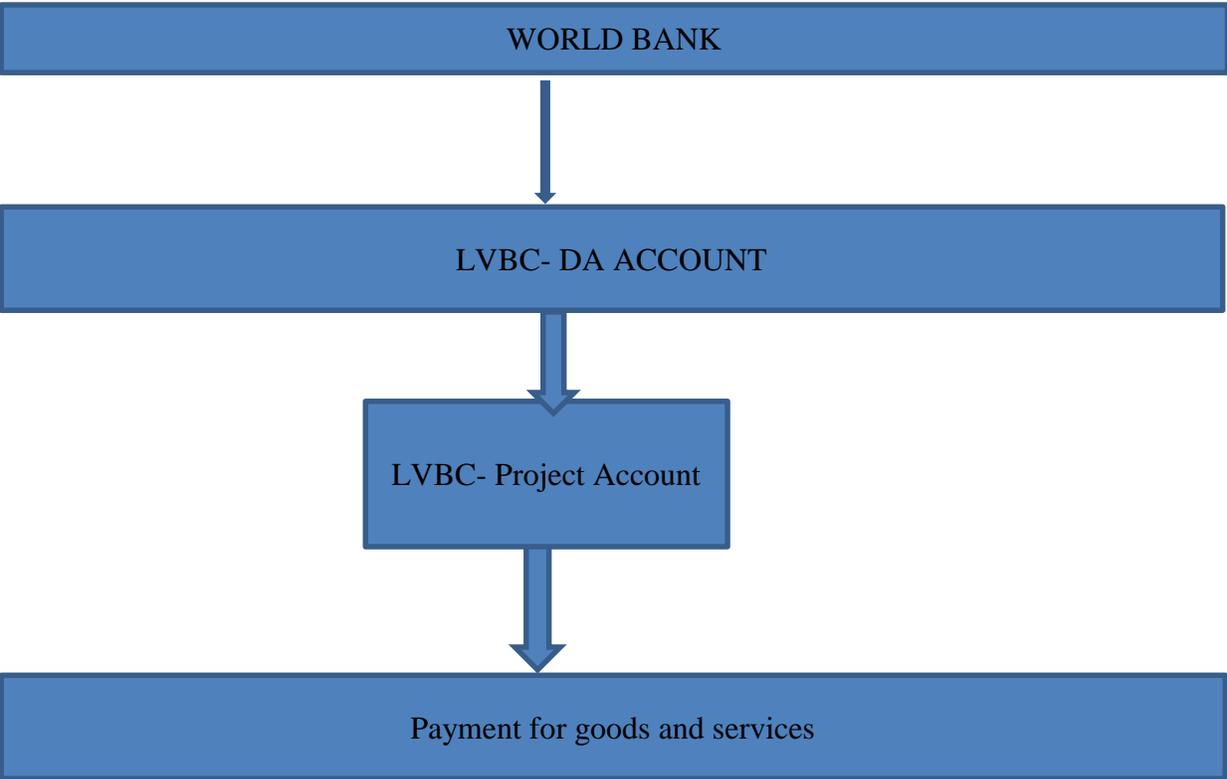
Accounting

The assessed revealed that LVBC has two qualified and experienced accountants- the Project Accountant and the Assistant Accountant. The accountants have also undergone training on Bank procedures. LVBC uses the Sun System accounting software which is deemed to be adequate for project budgeting, accounting and financial reporting. There is also a comprehensive FM procedures manual. The accounting arrangements are deemed to be adequate.

Funds Flows

Project funds would be channeled through LVBC which will be responsible for making payment on behalf of the Project. LVBC will open dollar designated (DA) and local currency project account (PA) in financial institutions acceptable to IDA.

Funds flow diagram



The Project will adopt the SOE method of disbursement. The project would access funds through any of the following methods of disbursements: direct payment, advances to the DA or reimbursement. Details of the disbursement procedures will be contained in the disbursement letter (DL) which will form part of the Grant Agreement.

Internal Controls

The LVBC has adequate internal control system with a comprehensive FM procedures manual (EAC Financial Rules and Regulations). There is a properly staffed internal audit department with

an audit charter and an Internal Audit Manual. LVBC have proper audit oversight via the EAC Audit & Risk Committee.

However, cases of internal control weaknesses have been noted. For instance, an internal audit review done in May 2015 revealed instances of laxity in the effectiveness of contract management which affect timely delivery of contracted services, overpayment of per diem to a staff which was eventually recovered and lack of supporting documents. There have also been cases of IFRs submitted to the Bank with anomalies. There have been instances of the entity spending beyond the approved budget line without seeking for authority/ approval to overspend. The accounting and arithmetical controls have also had lapses with project bank reconciliation statements not being properly done. A review of KNCPC under LVEMP-II by the Bank in December 2015 revealed instances of ineligible expenditures amounting to KShs 132,000.

Financial reporting

The LVBC has adequate financial reporting capacity and has been preparing and submitting quarterly and annual project financial reports to the Bank. However, there have concerns on the completeness and accuracy of some of these reports. For instance the LVEMP-II quarterly IFR for the quarter ended March 31 2016 did not meet the Bank standards of quality and had to be returned for amendment. It was noted that proper bank reconciliation statement was which resulted in anomalies in the report. In order to address this, LVBC should ensure that the project accountants are provided with the necessary capacity building training.

The LVBC will be required to prepare and submit unaudited interim financial reports (IFRs) to the Bank within 45 days of every calendar quarter. The IFRs will be in form and content acceptable to the Bank. LVBC will also prepare and submit annual project financial statement to the Audit Commission for audit. The annual financial statements will be prepared on the basis of International Financial Reporting Standards (IFRS). The format of the quarterly IFRs and annual financial statements will remain the same as those by used by LVBC for LVEMP-II.

External Auditing Arrangements

LVBC is audited by the Audit Commission; a consortium of auditors from the Auditor General's Offices for the 5 countries in East Africa. This is deemed to be adequate for the Project. For the years ending 30 June 2014 and 30 June 2015, the LVEMP project received an unqualified audit opinion. However, the 2015 external audit management letter revealed instances of ineligible expenditure amounting to US\$ 9,850 of which LVBC refunded to the Bank.

C. Risk Assessment and Mitigating Table

The analysis of the assessment is as follows:

| Type of Risk | Initial Risk Rating | Brief Explanation | Risk Mitigation Measures incorporated in Project Design | FM Conditions | Residual Risk Rating ¹ |
|----------------|---------------------|---|---|---------------|-----------------------------------|
| | | | INHERENT RISK | | |
| Country Level | S | This is based on the Country Public Financial Management environment and considers overall history of the country governance environment and corruption concerns. | Although the Kenya Country risk is rated substantial, LVBC as a Regional body has robust governance and PFM structures through the Council of Ministers, the EAC Audit Commission and the Audit Commission. | No | S |
| Entity Level | S | Adequate capacity but some fiduciary weaknesses noted in management of LVEMP | Capacity building training for project staff | No | S |
| Project Level | M | Project design relatively simple and used existing structures | | No | S |
| OVERALL | S | | | | S |

| Type of Risk | Initial FM Risk Rating | Brief Explanation | Risk Mitigation Measures | FM Conditions | Residual Risk Rating ¹ |
|-------------------|------------------------|--|--|---------------|-----------------------------------|
| | | | CONTROL RISK | | |
| Budgeting | L | Budget arrangement deemed satisfactory | | No | L |
| Accounting | S | Adequate capacity but some anomalies noted in financial reports and accounting records | Regular capacity building training of project accountants | No | S |
| Internal controls | S | Audit reports and reviews flagging weaknesses in internal controls and | Enhanced fiduciary oversight by the Bank FM reviews, internal audit and external audit | No | S |

| Type of Risk | Initial FM Risk Rating | Brief Explanation | Risk Mitigation Measures | FM Conditions | Residual Risk Rating ¹ |
|---------------------|------------------------|--|---|---------------|-----------------------------------|
| | | ineligible expenditure | | | |
| Funds Flow | L | No material weaknesses noted | | No | S |
| Financial Reporting | S | Challenges in quality of IFRs | Regular capacity building training of project accountants | No | S |
| Auditing | S | Audit issues raised in management letter | Regular capacity building training of project accountants | No | S |
| OVERALL | M | | | | M |

| | |
|--------------------------------|---------------------|
| OVERALL PROJECT FM RISK | Moderate (M) |
|--------------------------------|---------------------|

H = High; S = Substantial; M = Moderate; L = Low.

D. Conclusion of the Assessment

The results of the assessment do indicate that the overall FM arrangements satisfies the Bank’s minimum requirements under OP/BP10.02 and is therefore adequate to provide, with reasonable assurance, accurate and timely information on the status of the project as required by the World Bank. The FM residual risk for the project is **Moderate**.

E. Financial Management Conditions

Effectiveness Conditions

There are no conditions of effectiveness.

Financial Covenants

Financial covenants are the standard ones as stated in the Financing Agreement on Financial Management, Financial Reports and Audits and the General Conditions.

F. Implementation Support Plan

Based on the risk assessment of the project, the Bank FM supervision review will be conducted at least once every year. The mission’s objectives will include ensuring that strong financial

management systems are maintained for the project throughout its life. Reviews will be carried out regularly to ensure that expenditures incurred by the project remain eligible for IDA funding.

| Activity | Frequency |
|--|---|
| Desk reviews: | |
| Interim financial reports review | Quarterly |
| Audit report review | Annually |
| Review of other relevant information such as internal audit reports. | Quarterly |
| On site Visits: | |
| Review of overall operation of the FM system | Annually during implementation Support missions |
| Monitoring of actions taken on issues highlighted in audit reports, auditors' management letters, internal audit and other reports | Continuous |
| In depth transaction reviews | As required |